

RECORDATION NO. 9662-12 35 PM Filed & Recorded

AUG 29 1978 -12 35 PM



LOUISVILLE & NASHVILLE RAILROAD COMPANY

908 W. BROADWAY • LOUISVILLE, KENTUCKY 40203

TELEPHONE (502) 587-5235

RECORDATION NO. 9662-12 35 PM Filed & Recorded

AUG 29 1978 -12 35 PM

INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 9662-12 35 PM Filed & Recorded

LAW DEPARTMENT

AUG 29 1978 -12 35 PM

August 28, 1978

DAVID M. YEARWOOD
GENERAL ATTORNEY

INTERSTATE COMMERCE COMMISSION

Mr. H. G. Homme, Jr.

Acting Secretary

Interstate Commerce Commission

Washington, D. C. 20423

RECORDATION NO. 9662-12 35 PM Filed & Recorded

AUG 29 1978 -12 35 PM

INTERSTATE COMMERCE COMMISSION

Date 8-24-1978

Fee \$ 100

ICC Washington, D. C.

Dear Mr. Secretary:

There is transmitted to you herewith for filing and recordation, pursuant to Section 20c of the Interstate Commerce Act, duly executed counterparts of a Conditional Sale Agreement dated as of July 15, 1978 between Louisville and Nashville Railroad Company, as Vendor, whose address is 908 West Broadway, Louisville, Kentucky 40203, and The Liberty National Leasing Company, as Vendee, whose address is 416 West Jefferson Street, Louisville, Kentucky 40202.

The equipment covered by said Conditional Sale Agreement is seven hundred forty-seven (747) 70-ton open top hopper cars bearing the Louisville and Nashville Railroad Company's road numbers set forth in Annex A to said Agreement, a copy of which is attached hereto.

There has been no prior recordation of any document relating to this transaction.

Attached hereto is a draft in the amount of \$50 payable to the Treasurer of the United States covering the prescribed recordation fee for said Conditional Sale Agreement.

This letter of transmittal is signed by an officer of Louisville and Nashville Railroad Company designated for the purpose hereof who has knowledge of the matters set forth herein.

After recordation, please forward the recorded counterparts of said Conditional Sale Agreement to:

Agreement
and assignment,
Lease of Railroad
Equipment, and
Assignment
of Lease and
Agreement
(Each copy
under
separate
letter attached)

Grand Johnson

Mr. Allen H. Harrison, Jr.
Wilmer, Cutler & Pickering
1666 K Street, N. W.
Washington, D. C. 20006

Respectfully yours,

Louisville and Nashville Railroad Company

By David M. Yearwood
David M. Yearwood
General Attorney

Attachments

SEE NEXT
LETTERS
ATTACHED
FOR ALL
DOCS FILED
HERE UNDER



LOUISVILLE & NASHVILLE RAILROAD COMPANY

908 W. BROADWAY • LOUISVILLE, KENTUCKY 40203 TELEPHONE (502) 587-5235

LAW DEPARTMENT

August 28, 1978

DAVID M. YEARWOOD
GENERAL ATTORNEY

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Secretary:

There is transmitted to you herewith for filing and recordation, pursuant to Section 20c of the Interstate Commerce Act, duly executed counterparts of an Agreement and Assignment dated as of July 15, 1978 between Louisville and Nashville Railroad Company, assignor, whose address is 908 West Broadway, Louisville, Kentucky 40203, and Morgan Guaranty Trust Company of New York, as Trustee and as Agent, assignee, whose address is 9 West 57th Street, New York, New York 10019.

By this Agreement and Assignment, Louisville and Nashville Railroad Company assigned, transferred and set over to Morgan Guaranty Trust Company of New York as Trustee and as Agent, its right, title and interest under that Conditional Sale Agreement dated as of July 15, 1978, which is being filed concurrently herewith, and to the Equipment subject to the Conditional Sale Agreement.

This letter of transmittal is signed by an officer of Louisville and Nashville Railroad Company designated for the purpose hereof who has knowledge of the matters set forth herein.

After recordation, please forward the recorded counterparts of said Agreement and Assignment to:

Mr. Allen H. Harrison, Jr.
Wilmer, Cutler & Pickering
1666 K Street, N. W.
Washington, D. C. 20006

Respectfully yours,

Louisville and Nashville Railroad Company

By David M. Yearwood
David M. Yearwood
General Attorney

Attachments



LOUISVILLE & NASHVILLE RAILROAD COMPANY

908 W. BROADWAY • LOUISVILLE, KENTUCKY 40203 TELEPHONE (502) 587-5235

LAW DEPARTMENT

August 28, 1978

DAVID M. YEARWOOD
GENERAL ATTORNEY

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Secretary:

There is transmitted to you herewith for filing and recordation, pursuant to Section 20c of the Interstate Commerce Act, duly executed counterparts of a Lease of Railroad Equipment dated as of July 15, 1978 between Louisville and Nashville Railroad Company, as Lessee, whose address is 908 West Broadway, Louisville, Kentucky 40203, and The Liberty National Leasing Company, as Lessor, whose address is 416 West Jefferson Street, Louisville, Kentucky 40202.

The equipment covered by said Lease of Railroad Equipment is seven hundred forty-seven (747) 70-ton open top hopper cars bearing the Louisville and Nashville Railroad Company's road numbers set forth in Schedule A to said Lease, a copy of which is attached hereto.

Said equipment is the same equipment covered by that Conditional Sale Agreement dated as of July 15, 1978 which is being filed concurrently herewith.

Attached hereto is a draft in the amount of \$50 payable to the Treasurer of the United States covering the prescribed recordation fee for said Lease of Railroad Equipment.

This letter of transmittal is signed by an officer of Louisville and Nashville Railroad Company designated for the purpose hereof who has knowledge of the matters set forth herein.

After recordation, please forward the recorded counterparts of said Lease of Railroad Equipment to:

- 2 -

Mr. Allen H. Harrison, Jr.
Wilmer, Cutler & Pickering
1666 K Street, N. W.
Washington, D. C. 20006

Respectfully yours,

Louisville and Nashville Railroad Company

By David M. Yearwood
David M. Yearwood
General Attorney

Attachments



LOUISVILLE & NASHVILLE RAILROAD COMPANY

908 W. BROADWAY • LOUISVILLE, KENTUCKY 40203 TELEPHONE (502) 587-5235

LAW DEPARTMENT

August 28, 1978

DAVID M. YEARWOOD
GENERAL ATTORNEY

Mr. H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Mr. Secretary:

There is transmitted to you herewith for filing and recordation, pursuant to Section 20c of the Interstate Commerce Act, duly executed counterparts of an Assignment of Lease and Agreement dated as of July 15, 1978 between The Liberty National Leasing Company, assignor, whose address is 416 West Jefferson Street, Louisville, Kentucky 40202, and Morgan Guaranty Trust Company of New York, as Trustee and as Agent, assignee, whose address is 9 West 57th Street, New York, New York 10019.

By this Assignment of Lease and Agreement, The Liberty National Leasing Company assigned, transferred and set over to Morgan Guaranty Trust Company of New York, as Trustee and as Agent, its right, title and interest under that Lease of Railroad Equipment dated as of July 15, 1978, which is being filed concurrently herewith.

This letter of transmittal is signed by an officer of Louisville and Nashville Railroad Company designated for the purpose hereof who has knowledge of the matters set forth herein.

After recordation, please forward the recorded counterparts of said Assignment of Lease and Agreement to:

Mr. Allen H. Harrison, Jr.
Wilmer, Cutler & Pickering
1666 K Street, N. W.
Washington, D. C. 20006

Respectfully yours,

Louisville and Nashville Railroad Company

By

David M. Yearwood
General Attorney

Attachments

ANNEX A
to
Conditional Sale Agreement

<u>Type</u>	<u>Quantity</u>	<u>Unit</u>	<u>Total</u>	<u>Road Numbers (Inclusive)</u>	<u>Estimated Time and Place of Delivery</u>
		<u>Price</u>	<u>Price</u>		
70-Ton Open Top Hopper Cars	747	\$10,380	\$7,753,860	L&N 154701-154708, 154710 154715-154717 154719-154727 154729-154731, 154733 154735, 154737, 154739, 154740, 154742, 154745-154748, 154750-154755, 154757, 154758, 154763-154765 154768, 154770, 154772, 154774, 154775, 154777-154779, 154782, 154783, 154785-154792, 154797-154799, 154801-154808, 154811-154814, 154816, 154818, 154820, 154821, 154823-154826, , 154828-154832, 154834-154838, 154840, 154843-154846, 154849-154856, 154858, 154860, 154862-154865, 154868-154876, 154878, 154881, 154883-154885, 154887-154890, 154892, 154894-154897, 154899-154901, 154904, 154905, 154910-154914 154918-154923, 154925-154931, 154933-154936, 154939, 154941-154944, 154947,	August 30, 1978

<u>Type</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total Price</u>	<u>Road Numbers (Inclusive)</u>	<u>Estimated Time and Place of Delivery</u>
0-Ton Open Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 154949, 154950, 154953, 154954, 154956-154958, 154960, 154962-154967, 154970, 154971, 154974, 154975, 154977-154983, 154985-154992, 154994, 154996-154998, 155000, 155001, 155004, 155005, 155008, 155010, 155011, 155014, 155016-155029, 155034, 155036-155047, 155049-155056, 155058-155063, 155065-155070, 155072-155074, 155076-155078, 155081-155085, 155087, 155091-155100, 155102, 155104, 155106-155108, 155111-155113, 155116, 155118-155119, 155121, 155122, 155124, 155125, 155129-155131, 155134-155136, 155138, 155140-155146, 155148-155150, 155152-155159, 155161, 155162, 155164-155177, 155180-155182, 155184, 155185, 155188-155200, 155202-155204, 155206, 155208-155210, 155212, 155216-155218, 155220-155224, 155226, 155227, 155229-155242, 155244, 155245, 155248, 155250, 155252-155262,	August 30, 1978

Type	Quantity	Unit Price	Total Price	Road Numbers (Inclusive)	Estimated Time and Place of Delivery
2-Ton Open-Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 155265, 155267, 155269, 155271-155273, 155275-155277, 155280-155285, 155287, 155289-155291, 155294-155295, 155298, 155302-155309, 155312 155314-155318, 155322 155323, 155325-155329, 155331, 155333-155335, 155337-155339, 155341, 155343, 155345, 155347, 155348, 155350, 155353, 155354, 155356-155359, 155361, 155364, 155368, 155370-155372, 155375, 155377, 155379, 155381-155384, 155386-155388, 155390, 155392-155398, 155400, 155401, 155406-155410, 155413-155415, 155417, 155419, 155421-155426, 155429, 155430, 155432-155435, 155437, 155438, 155440-155442, 155444, 155446, 155449-155451, 155453-155458, 155460 155461, 155463, 155464, 155466-155475, 155477, 155480, 155483-155496, 155499, 155504-155512, 155514-155517, 155519, 155521-155525, 155527-155530, 155533, 155534, 155536-155539, 155543, 155544, 155546-155551,	August 30, 1978

<u>Type</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total Price</u>	<u>Road Numbers (Inclusive)</u>	<u>Estimated Time and Place of Delivery</u>
J-Ton Open-Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 155553-155557, 155559-155561, 155564, 155565, 155567-155569, 155571-155580, 155582-155589, 155591-155593, 155595, 155597-155599, 155611-155617, 155620-155624, 155626-155631, 155633-155639, 155642-155646, 155648, 155650-155657, 155661-155662, 155664-155665, 155667-155674, 155676-155677, 155679-155681, 155683, 155685-155687, 155689-155694, 155696-155700, 155704-155707, 155710-155711, 155713-155715, 155717-155718, 155720-155721, 155723-155730, 155732-155734, 155736-155737, 155739-155748, 155750, 155752	August 30, 1978

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
		L&N
70-Ton Open-Top Hopper Cars	747	154701-154708, 154710 154715-154717 154719-154727 154729-154731, 154733 154735, 154737, 154739, 154740, 154742, 154745-154748, 154750-154755, 154757, 154758, 154763-154765 154768, 154770, 154772, 154774, 154775, 154777-154779, 154782, 154783, 154785-154792, 154797-154799, 154801-154808, 154811-154814, 154816, 154818, 154820, 154821, 154823-154826, 154828-154832, 154834-154838, 154840, 154843-154846, 154849-154856, 154858, 154860, 154862-154865, 154868-154876, 154878, 154881, 154883-154885, 154887-154890, 154892, 154894-154897, 154899-154901, 154904, 154905, 154910-154914 154918-154923, 154925-154931, 154933-154936, 154939, 154941-154944, 154947,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's <u>Road Numbers</u> <u>(Inclusive)</u>
70-Ton Open-Top Hopper Cars (Cont'd.)	747	L&N 154949, 154950, 154953, 154954, 154956-154958, 154960, 154962-154967, 154970, 154971, 154974, 154975, 154977-154983, 154985-154992, 154994, 154996-154998, 155000, 155001, 155004, 155005, 155008, 155010, 155011, 155014, 155016-155029, 155034, 155036-155047, 155049-155056, 155058-155063, 155065-155070, 155072-155074, 155076-155078, 155081-155085, 155087, 155091-155100 155102, 155104, 155106-155108, 155111-155113, 155116, 155118-155119, 155121, 155122, 155124, 155125, 155129-155131, 155134-155136, 155138, 155140-155146, 155148-155150, 155152-155159, 155161, 155162, 155164-155177, 155180-155182, 155184, 155185, 155188-155200, 155202-155204, 155206, 155208-155210, 155212, 155216-155218, 155220-155224, 155226, 155227, 155229-155242, 155244, 155245, 155248, 155250, 155252-155262,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
70-Ton Open-Top Hopper Cars (Cont'd.)	747	L&N 155265, 155267, 155269, 155271-155273, 155275-155277, 155280-155285, 155287, 155289-155291, 155294-155295, 155298, 155302-155309, 155312 155314-155318, 155322 155323, 155325-155329, 155331, 155333-155335, 155337-155339, 155341, 155343, 155345, 155347, 155348, 155350, 155353, 155354, 155356-155359, 155361, 155364, 155368, 155370-155372, 155375, 155377, 155379, 155381-155384, 155386-155388, 155390, 155392-155398, 155400, 155401, 155406-155410, 155413-155415, 155417, 155419, 155421-155426, 155429, 155430, 155432-155435, 155437, 155438, 155440-155442, 155444, 155446, 155449-155451, 155453-155458, 155460 155461, 155463, 155464, 155466-155475, 155477, 155480, 155483-155496, 155499, 155504-155512, 155514-155517, 155519, 155521-155525, 155527-155530, 155533, 155534, 155536-155539, 155543, 155544, 155546-155551,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
		L&N
70-Ton Open-Top Hopper Cars (Cont'd.)	747	155553-155557, 155559-155561, 155564, 155565, 155567-155569, 155571-155580, 155582-155589, 155591-155593, 155595, 155597-155599, 155611-155617, 155620-155624, 155626-155631, 155633-155639, 155642-155646, 155648, 155650-155657, 155661-155662, 155664-155665, 155667-155674, 155676-155677, 155679-155681, 155683, 155685-155687, 155689-155694, 155696-155700, 155704-155707, 155710-155711, 155713-155715, 155717-155718, 155720-155721, 155723-155730, 155732-155734, 155736-155737, 155739-155748, 155750, 155752

Interstate Commerce Commission
Washington, D.C. 20423

8/29/78

OFFICE OF THE SECRETARY

David M. Yearwood, Gen. Atty.
L&N Railroad Company
908 W. Broadway
Louisville, KY. 40203

Sir:

Dear

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **8/29/78** at **12:35pm**,
and assigned recordation number(s) **9662, 9662-A, 9662-B & 9662-C**

Sincerely yours,

H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

Not same as en-B

RECORDATION NO. 9662 Filed & Recorded

AUG 29 1978 12 35 PM

INTRA-STATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of July 15, 1978

between

LOUISVILLE AND NASHVILLE RAILROAD COMPANY

and

THE LIBERTY NATIONAL LEASING COMPANY

9-1/2% Conditional Sale Indebtedness
due September 15, 1986

CONDITIONAL SALE AGREEMENT

TABLE OF CONTENTS*

	<u>Page</u>
PARTIES	C-1
PREAMBLES	C-1
ARTICLE 1. Assignment and Definitions	C-1
ARTICLE 2. Sale	C-2
ARTICLE 3. Inspection and Delivery	C-2
ARTICLE 4. Purchase Price and Payment	C-3
ARTICLE 5. Security Title in the Equipment	C-7
ARTICLE 6. Taxes	C-7
ARTICLE 7. Maintenance; Casualty Occurrences, Insurance	C-9
ARTICLE 8. Reports and Inspections	C-11
ARTICLE 9. Marking of the Equipment	C-11
ARTICLE 10. Compliance with Laws and Rules	C-12
ARTICLE 11. Possession and Use	C-12
ARTICLE 12. Prohibition Against Liens	C-13
ARTICLE 13. Indemnities and Warranties	C-14
ARTICLE 14. Assignments	C-15

*This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

	<u>Page</u>
ARTICLE 15. Defaults	C-16
ARTICLE 16. Remedies	C-19
ARTICLE 17. Applicable State Laws	C-23
ARTICLE 18. Recording	C-24
ARTICLE 19. Article Headings; Effect and Modification of Agreement	C-24
ARTICLE 20. NoticeC-24
ARTICLE 21. Immunities; Satisfaction of Undertakings .	.C-25
ARTICLE 22. Law Governing	C-25
ARTICLE 23. ExecutionC-25
TESTIMONIUM	C-26
SIGNATURES	C-26

Schedule I--Allocation Schedule

ANNEX A--SPECIFICATIONS OF EQUIPMENT

ANNEX B--LEASE OF RAILROAD EQUIPMENT

Schedule A--Specifications of the Equipment
Schedule B--Casualty Values Percentages Schedule

ANNEX C--ASSIGNMENT OF LEASE AND AGREEMENT

Lessee's Consent and Agreement

CONDITIONAL SALE AGREEMENT dated as of July 15, 1978, between LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a Kentucky corporation (hereinafter called the Vendor), and THE LIBERTY NATIONAL LEASING COMPANY (hereinafter called the Vendee), a Kentucky corporation.

WHEREAS the Vendor agrees to sell and deliver to the Vendee, and the Vendee agrees to purchase, the used railroad equipment described in Annex A hereto (hereinafter called the Equipment); and

WHEREAS the Vendee is entering into a lease dated as of the date hereof with the Vendor (hereinafter in its capacity as a lessee under the Lease called the Lessee) in substantially the form annexed hereto as Annex B (hereinafter called the Lease); and

WHEREAS the Vendor proposes to assign its interests herein to Morgan Guaranty Trust Company of New York, as Trustee of a Commingled Pension Trust and as Agent for Various Institutional Investors (hereinafter sometimes called the Assignee), the investor under the Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement), among the Vendor, the Assignee and the Vendee.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as defined in Article 4 hereof) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price shall be paid to the Vendor by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Vendor and the Assignee (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, Louisville and Nashville Railroad Company and any successor

or successors for the time being to its properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex C hereto (hereinafter called the Lease Assignment) and the Lessee shall consent thereto pursuant to a Consent and Agreement in the form attached to Annex C (hereinafter called the Consent).

ARTICLE 2. Sale. Pursuant to this Agreement, the Vendor will sell and deliver to the Vendee, and the Vendee will purchase from the Vendor and accept delivery of and pay for (as hereinafter provided), the Equipment described in Annex A hereto. The design, quality and component parts of each unit of the Equipment shall conform, on the date of delivery thereof, to all United States Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as being applicable to railroad equipment of the character of such unit.

ARTICLE 3. Inspection and Delivery. The Vendor will deliver the units of the Equipment to the Vendee at the place or places specified in Annex A hereto (or if Annex A does not specify a place or places, at the place or places designated from time to time by the Vendee), freight charges, if any, collect, on August 30, 1978, or such other date not later than September 15, 1978, as the Vendor and Vendee may agree upon; provided, however, that delivery of the Equipment shall not be made until this Agreement and the Lease have been filed pursuant to Section 20c of the Interstate Commerce Act; and provided, further, that the Vendee shall have no obligation to accept delivery of any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clauses (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default. The

Vendor agrees not to deliver any unit of the Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid but only so long as such event continues and (b) until it receives notice from the Vendee and the Assignee that the conditions contained in Paragraphs 6 and 7 of the Participation Agreement have been met.

Any Equipment not delivered and accepted hereunder on or prior to September 15, 1978, shall be excluded from this Agreement and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be so excluded herefrom, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom.

Prior to delivery, the Equipment shall be subject to inspection by the authorized inspectors of the Vendee and the Vendor shall grant to such authorized inspectors reasonable access to the Equipment. Upon tender of delivery of the Equipment to the Vendee, an authorized representative of the Vendee shall execute and deliver to the Vendor a certificate of acceptance (hereinafter called the Certificate of Acceptance) stating that such unit or units have been accepted on behalf of the Vendee and are marked in accordance with Article 9 hereof.

ARTICLE 4. Purchase Price and Payment. The price or prices per unit of the Equipment are set forth in Annex A hereto. The term "Purchase Price" as used herein shall mean the price or prices as set forth in the Vendor's invoice or invoices delivered to the Vendee and, if the Purchase Price is other than the price or prices set forth in Annex A, the invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee (such invoice or invoices being hereinafter called the Invoices).

The sale of the Equipment shall be settled for in one group of units of the Equipment delivered to and accepted by the Vendee. The term "Closing Date" shall mean August 30, 1978, or such later date on or before September 15, 1978, as the Vendor and Vendee may agree upon. Five business days

prior to the Closing Date, the Vendor shall present to the Vendee the Invoice and the Certificate or Certificates of Acceptance for the Equipment. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) on the Closing Date with respect to the group of units of the Equipment (i) an amount equal to 20% of the aggregate Purchase Price of the Equipment covered by this Agreement for which settlement is then being made, as set forth in the Invoice or Invoices therefor (said invoiced prices being herein called the Invoiced Purchase Prices); and

(b) in 16 semiannual installments, as hereinafter provided, an amount equal to the aggregate Purchase Price of the units of Equipment for which settlement is then being made, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph (the aggregate of said installments being hereinafter the Conditional Sale Indebtedness).

The installments of Conditional Sale Indebtedness payable pursuant to subparagraph (b) of the preceding paragraph shall be payable on each March 15 and September 15, commencing March 15, 1979, to and including September 15, 1986 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the Conditional Sale Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 9-1/2% per annum. Such interest shall be payable, to the extent accrued, on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I

hereto. The Vendee will furnish to the Assignee promptly after the Closing Date a schedule, in such number of counterparts as shall be requested by the Assignee, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of twelve 30-day months.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 10-1/2% per annum.

All payments provided for in this Agreement shall be made in New York Clearing House funds in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the Conditional Sale Indebtedness prior to the date it becomes due.

The Vendor shall furnish to the Vendee the documents required to be furnished by the Vendor pursuant to Section 4 of the Assignment in respect of the Equipment, which documents shall be in form and substance satisfactory to the Vendee and the Assignee.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof), it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement, including any liability arising out of or in connection with the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" and such payments shall be made by the Vendee only to the extent that the Vendee or any assignee of the Vendee shall have actually received sufficient "income and proceeds from the Equipment"

to make such payments. As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (x) amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the Conditional Sale Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or (y) payments by the Lessee excluded from the Lease Assignment pursuant to Paragraph 1 thereof. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph and any judgment shall so state. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to

proceed against the Equipment for the full unpaid Purchase Price of the Equipment and accrued interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Title in the Equipment. The Vendor shall and hereby does retain its title to and interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with accrued interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee and at the sole cost of the Vendee at that time, will (a) execute a bill or bills of sale for the Equipment releasing its title to and interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby or arising from or through the Vendor and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificates within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the

Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax payable by the Vendor in consequence of the receipt of payments provided for herein and other than state or local taxes measured by net income or gross receipts, if any, except any such tax which is in substitution for or relieves the Vendee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties now or hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called Impositions), all of which such Impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all Impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its title therein (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all Impositions which might in any way affect the title of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the title or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any Impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance; Casualty Occurrences; Insurance. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, reasonable wear and tear excepted.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation for use or otherwise resulting in loss of possession by the Vendee or Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a stated period not in excess of the then remaining term of the Lease (such occurrences being herein called Casualty Occurrences), the Vendee shall promptly within 30 days cause the Vendor to be fully informed in regard thereto. On the next succeeding date for the payment of interest on the Conditional Sale Indebtedness occurring 30 days after it has knowledge of such Casualty Occurrence (hereinafter called a Casualty Payment Date), the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date of such payment and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each installment, the Conditional Sale Indebtedness and the Vendee will promptly furnish to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made. In the event of the requisition for use by the United States Government of any unit of the Equipment not constituting a Casualty Occurrence, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as if such requisition had not occurred.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the

expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's title, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the original Conditional Sale Indebtedness in respect of such unit remaining unpaid on the date as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Conditional Sale Indebtedness in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the original Conditional Sale Indebtedness in respect of such unit bears to the aggregate original Conditional Sale Indebtedness in respect of the Equipment.

The Vendee will at all times prior to the payment of the full indebtedness in respect of the Purchase Price of the Equipment, together with interest thereon and all other payments required hereby, cause to be carried and maintained insurance in respect of the Equipment at the time subject hereto, and public liability insurance, in amounts and against risks comparable to those insured against by the Lessee on similar equipment owned by it; provided, however, that the Vendee may permit the Lessee to self-insure any Equipment only to the same extent the Lessee self-insures all similar equipment owned by it.

If the Vendor shall receive from the Lessee's insurance coverage any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon reasonable proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before March 31 in each year, commencing with the year 1979, the Vendee shall cause to be furnished to the Vendor an accurate statement setting forth as at the preceding December 31 the amount, description and numbers of all units of the Equipment (a) then covered hereby, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Agreement in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, such Equipment is marked as required by Article 9 hereof. The Vendor shall have the right, by its agents, to inspect the Equipment and to discuss Lessee's records with respect thereto at such reasonable times as the Vendor may request during the term of this Agreement.

ARTICLE 9. Marking of the Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in Annex A hereto, or, in the case of Equipment not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c", or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings have been made thereon and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all applicable laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement, addition or modification of or to any part on any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Vendor to the Vendee, to the possession of the Equipment and the use thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinate and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with

its terms) without the prior written consent of the Vendor, it being understood and agreed that such consent shall not be unreasonably withheld for changes in the provisions of the Lease which are not intended or necessary to satisfy the obligations of the Vendee under this Agreement.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest upon or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of such liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all claims, liens, charges or security interests claimed by any party from, through or under the Vendee, or its successors and assigns, not arising out of the transactions contemplated hereby (but including tax liens arising out of the receipt of the income and proceeds from the Equipment), equal or superior to the Vendor's security interest therein, which, if unpaid, would become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder, but the Vendee shall not be

required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the title of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident, in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period while title therein remains in the Vendor or during the period of the transfer of such title in the Equipment by the Vendor pursuant to any of the provisions of this Agreement. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the title in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations under this Agreement (except as provided in Articles 7 and 21 hereof) in the event of any damage to or the destruction or loss of any unit of or all the Equipment.

The Vendor represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

ARTICLE 14. Assignments. The Vendee will not (a) transfer the right to possession of any unit of the Equipment, except as provided in Article 11 hereof, or (b) sell, assign, transfer or otherwise dispose of its rights under this Agreement without the prior written consent of the Vendor.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Vendor from, any of the obligations to deliver the Equipment in accordance herewith or relieve the Vendee of its respective obligations to the Vendor contained in Articles 2, 3, 4, 6 and 13 hereof, and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of

any breach of any obligation of the Vendor with respect to the Equipment or the delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee by the Vendor. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee against and only against the Vendor.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Articles 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for ten days after the date such payment became due and payable; or

(b) the Vendee (irrespective of the provisions of Articles 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded to the Vendee in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under the Lease and the Consent shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations

shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(d) any other proceeding shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease and the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement or of the Lessee under the Lease and the Consent shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(f) an Event of Default shall have occurred under the Lease except that a default by the Lessee in making rental payments under the Lease, including without limitation any payments due under § 3, 7, or 13 of the

Lease, shall not constitute a default hereunder if the Vendee shall have made the payments due hereunder and the Vendee shall not otherwise be in default under this Agreement;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination and/or (ii) declare (hereinafter called a Declaration of Default) the entire unpaid Conditional Sale Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the Conditional Sale Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 21 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time would constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to all railroads which may have possession of any unit or units of the Equipment to return the unit or units) cause the Equipment to be placed upon such storage tracks of the Lessee or any of its affiliates as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for insurance, rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and

prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and upon the application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree of specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, upon such notice and consent as is hereinafter set forth, retain the Equipment in satisfaction of the entire Conditional Sale Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor shall elect to retain the Equipment and the Vendee consents thereto in writing as described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the

Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon 30 days notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the Conditional Sale Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor or the Vendee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale or the making of a contract for such sale not less than 30 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed

to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Vendee to purchase or provide a purchaser, within 15 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor except that the Vendor shall not be deemed to have the power or remedy to retain the Equipment in satisfaction of the Conditional Sale Indebtedness except as specifically provided in this Article 16. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall, subject to the limitations of the last paragraph of Article 4 and the last paragraph of Article 21 hereof, pay the amount of such deficiency to

the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof and the last paragraph of Article 21 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment. The foregoing provisions of this paragraph shall be subject to the limitations of the last paragraph of Article 4 and the penultimate paragraph of Article 21 hereof.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this

Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Assignee and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses:

(a) to the Vendee, at 416 W. Jefferson Street, Louisville, Kentucky 40202, if by hand, and at P. O. Box 32500, Louisville, Kentucky 40232, if by mail, Attention of J. E. Vittitow, Vice President,

(b) to the Lessee, at 908 West Broadway, Louisville, Kentucky 40201,

(c) to any assignee of the Vendor, or of the

Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Immunities, Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second, seventh and eighth paragraphs of Article 16 and under Articles 3, 6, 7 (other than the second sentence of the second paragraph thereof), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof) 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.


ARTICLE 23. Execution. This Agreement may be

executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to the Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

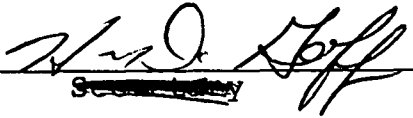
LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by


Assistant Vice President

[Corporate Seal]

Attest:


~~Secretary~~
ATTESTING OFFICER

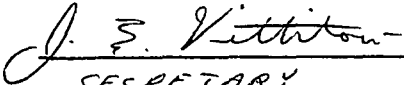
THE LIBERTY NATIONAL LEASING
COMPANY,

by


Vice President

[Corporate Seal]

Attest:


SECRETARY

COMMONWEALTH OF KENTUCKY,)
) ss.:
 COUNTY OF JEFFERSON,)

On this 28th day of August 1978, before me personally appeared M. H. Stier, to me personally known, who being by me duly sworn, says that he is the Assistant Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Sharon W. Bowles
 Notary Public
 Sharon W. Bowles
 NOTARY PUBLIC, STATE AT LARGE
 My Commission expires July 26, 1982

COMMONWEALTH OF KENTUCKY,)
) ss.:
 COUNTY OF JEFFERSON,)

On this 25th day of August 1978, before me personally appeared J. E. Vittitow, to me personally known, who being by me duly sworn, says that he is a Vice President of THE LIBERTY NATIONAL LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Notarial Seal]

Charles K. Kuper
 Notary Public
 Notary Public, State at Large, Ky.
 My Commission expires Dec. 1, 1980

SCHEDULE I

Allocation Schedule of Each \$1,000,000 of
9-1/2% Conditional Sale Indebtedness Payable in Installments
from March 15, 1979, through September 15, 1986

<u>Date</u>	<u>Principal Balance (After Payment)</u>	<u>Interest Payment</u>	<u>Principal Recovery</u>	<u>Total Payment</u>
	\$1,000,000.00	-	-	-
March 15, 1979	956,864.69	\$47,500.00	\$43,135.31	\$90,635.31
September 15, 1979	911,680.45	45,451.07	45,184.24	90,635.31
March 15, 1980	864,349.96	43,304.82	47,330.49	90,635.31
September 15, 1980	814,771.27	41,056.62	49,578.69	90,635.31
March 15, 1981	762,837.59	38,701.63	51,933.68	90,635.31
September 15, 1981	708,437.07	36,234.79	54,400.52	90,635.31
March 15, 1982	651,452.52	33,650.76	56,984.55	90,635.31
September 15, 1982	591,761.20	30,943.99	59,691.32	90,635.31
March 15, 1983	529,234.55	28,108.66	62,526.65	90,635.31
September 15, 1983	463,737.88	25,138.64	65,496.67	90,635.31
March 15, 1984	395,130.12	22,027.55	68,607.76	90,635.31
September 15, 1984	323,263.49	18,768.68	71,866.63	90,635.31
March 15, 1985	247,983.20	15,355.02	75,280.29	90,635.31
September 15, 1985	169,127.09	11,779.20	78,856.11	90,635.31
March 15, 1986	86,525.32	8,033.54	82,601.77	90,635.31
September 15, 1986	0.00	4,109.95	86,525.32	90,635.27

ANNEX A
to
Conditional Sale Agreement

<u>Type</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total Price</u>	<u>Road Numbers (Inclusive)</u>	<u>Estimated Time and Place of Delivery</u>
70-Ton Open Top Hopper Cars	747	\$10,380	\$7,753,860	L&N 154701-154708, 154710 154715-154717 154719-154727 154729-154731, 154733 154735, 154737, 154739, 154740, 154742, 154745-154748, 154750-154755, 154757, 154758, 154763-154765 154768, 154770, 154772, 154774, 154775, 154777-154779, 154782, 154783, 154785-154792, 154797-154799, 154801-154808, 154811-154814, 154816, 154818, 154820, 154821, 154823-154826, , 154828-154832, 154834-154838, 154840, 154843-154846, 154849-154856, 154858, 154860, 154862-154865, 154868-154876, 154878, 154881, 154883-154885, 154887-154890, 154892, 154894-154897, 154899-154901, 154904, 154905, 154910-154914 154918-154923, 154925-154931, 154933-154936, 154939, 154941-154944, 154947,	Augst 30, 1978

<u>Type</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total Price</u>	<u>Road Numbers (Inclusive)</u>		<u>Estimated Time and Place of Delivery</u>
60-Ton Open Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 154949, 154950, 154953, 154954, 154956-154958, 154960, 154962-154967, 154970, 154971, 154974, 154975, 154977-154983, 154985-154992, 154994, 154996-154998, 155000, 155001, 155004, 155005, 155008, 155010, 155011, 155014, 155016-155029, 155034, 155036-155047, 155049-155056, 155058-155063, 155065-155070, 155072-155074, 155076-155078, 155081-155085, 155087, 155091-155100, 155102, 155104, 155106-155108, 155111-155113, 155116, 155118-155119, 155121, 155122, 155124, 155125, 155129-155131, 155134-155136, 155138, 155140-155146, 155148-155150, 155152-155159, 155161, 155162, 155164-155177, 155180-155182, 155184, 155185, 155188-155200, 155202-155204, 155206, 155208-155210, 155212, 155216-155218, 155220-155224, 155226, 155227, 155229-155242, 155244, 155245, 155248, 155250, 155252-155262,		August 30, 1978

Type	Quantity	Unit Price	Total Price	Road Numbers (Inclusive)	Estimated Time and Place of Delivery
70-Ton Open-Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 155265, 155267, 155269, 155271-155273, 155275-155277, 155280-155285, 155287, 155289-155291, 155294-155295, 155298, 155302-155309, 155312 155314-155318, 155322 155323, 155325-155329, 155331, 155333-155335, 155337-155339, 155341, 155343, 155345, 155347, 155348, 155350, 155353, 155354, 155356-155359, 155361, 155364, 155368, 155370-155372, 155375, 155377, 155379, 155381-155384, 155386-155388, 155390, 155392-155398, 155400, 155401, 155406-155410, 155413-155415, 155417, 155419, 155421-155426, 155429, 155430, 155432-155435, 155437, 155438, 155440-155442, 155444, 155446, 155449-155451, 155453-155458, 155460 155461, 155463, 155464, 155466-155475, 155477, 155480, 155483-155496, 155499, 155504-155512, 155514-155517, 155519, 155521-155525, 155527-155530, 155533, 155534, 155536-155539, 155543, 155544, 155546-155551,	August 30, 1978

<u>Type</u>	<u>Quantity</u>	<u>Unit</u>		<u>Road</u> <u>Numbers</u> <u>(Inclusive)</u>	<u>Estimated</u> <u>Time and Place</u> <u>of Delivery</u>
		<u>Price</u>	<u>Total</u> <u>Price</u>		
70-Ton Open-Top Hopper Cars (Cont'd.)	747	\$10,380	\$7,753,860	L&N 155553-155557, 155559-155561, 155564, 155565, 155567-155569, 155571-155580, 155582-155589, 155591-155593, 155595, 155597-155599, 155611-155617, 155620-155624, 155626-155631, 155633-155639, 155642-155646, 155648, 155650-155657, 155661-155662, 155664-155665, 155667-155674, 155676-155677, 155679-155681, 155683, 155685-155687, 155689-155694, 155696-155700, 155704-155707, 155710-155711, 155713-155715, 155717-155718, 155720-155721, 155723-155730, 155732-155734, 155736-155737, 155739-155748, 155750, 155752	August 30, 1978

heavy

ANNEX B
TO
CONDITIONAL SALE AGREEMENT

LEASE OF RAILROAD EQUIPMENT

Dated as of July 15, 1978

between

LOUISVILLE AND NASHVILLE RAILROAD COMPANY,
Lessee,

and

THE LIBERTY NATIONAL LEASING COMPANY, as Lessor

LEASE OF RAILROAD EQUIPMENT

 TABLE OF CONTENTS*

	<u>Page</u>
PARTIES	L-1
PREAMBLES	L-1
SECTION 1. Net Lease	L-1
SECTION 2. Delivery and Acceptance of Units	L-2
SECTION 3. Rentals	L-3
SECTION 4. Term of Lease	L-4
SECTION 5. Identification Marks	L-4
SECTION 6. Taxes	L-5
SECTION 7. Maintenance; Casualty Occurrences; Insurance	L-8
SECTION 8. Reports	L-10
SECTION 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-11
SECTION 10. Default	L-14
SECTION 11. Return of Units upon Default	L-17
SECTION 12. Assignment; Possession and Use	L-18
SECTION 13. Renewals	L-20
SECTION 14. Return of Units upon Expiration of Term	L-21
SECTION 15. Recording	L-22

* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

	<u>Page</u>
SECTION 16. Interest on Overdue Rentals	L-23
SECTION 17. Notices	L-23
SECTION 18. Severability; Effect and Modification of Lease	L-24
SECTION 19. Execution	L-24
SECTION 20. Law Governing	L-24
SECTION 21. Lessor's Right to Perform for the Lessee .	L-24
SECTION 22. Immunities	L-24
TESTIMONIUM	L-25
SIGNATURES	L-25
SCHEDULE A--Specifications of the Equipment	L-27
SCHEDULE B--Casualty Values Percentages Schedule	L-31

LEASE OF RAILROAD EQUIPMENT dated as of July 15, 1978, between LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a Kentucky corporation (hereinafter called the Vendor or the Lessee), and THE LIBERTY NATIONAL LEASING COMPANY, a Kentucky corporation (hereinafter called the Lessor).

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document) with the Vendor, wherein the Vendor has agreed to sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (hereinafter called the Units);

WHEREAS the Vendor is assigning its interests in the Security Document pursuant to an Agreement and Assignment (hereinafter called the Assignment) to Morgan Guaranty Trust Company of New York, as Trustee of a Commingled Pension Trust and as Agent for Various Institutional Investors (hereinafter together with its successors and assigns called the Assignee), pursuant to the terms of a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) among the Lessee, the Lessor and the Assignee;

WHEREAS the Lessee desires to lease such number of Units as are delivered and accepted and settled for under the Security Document at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the Lessor will assign this Lease for security to the Assignee pursuant to an Assignment of Lease and Agreement (hereinafter called the Lease Assignment) and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (hereinafter called the Consent);

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof, recoupment or setoff against rent, including,

but not limited to, abatements, reductions, recoupments or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the Security Document, or against the Assignee or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the Security Document. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Security Document. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be in accordance with the requirements of the Security Document, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance (hereinafter called the Certificate of Acceptance) in accordance with the provisions of Article 3 of the Security Document, stating that such Unit

has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the last sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit excluded from the Security Document shall be null and void and ineffective to subject such Unit to this Lease.

§ 3. Rentals. The Lessee agrees to pay the Lessor, as rental for each Unit subject to this Lease, 16 consecutive semiannual payments on March 15 and September 15 in each year, commencing March 15, 1979. The 16 semiannual rental payments shall each be an amount equal to 7.6462% of the Purchase Price of each Unit then subject to this Lease. In addition to the rental payment payable on the first rental payment date, the Lessee will also pay an amount equal to .042479% of the Purchase Price of each Unit for each day from and including the Delivery Date to September 15, 1978. The foregoing rental rate has been calculated on the assumption that the Delivery Date (as such term is defined in the Security Document) is August 15, 1978. If for any reason the Delivery Date is later than August 15, 1978, the Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Lessor's net after-tax return on, and rate of recovery of investment and the annual net cash flows (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the Security Document, notwithstanding any limitation of liability contained therein.

If any of the semiannual rental payment dates referred to above is not a business day the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, except as otherwise specifically provided in Paragraph 1 of the Assignment, at the principal office of the Assignee until the

Assignee shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment (as defined in the Security Document), together with interest and all other payments required by the Security Document, for the account of the Lessor in care of the Assignee, with instructions to the Assignee (subject to the provisions of the Consent) first, to apply such payments to satisfy the obligations of the Lessor under the Security Document, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default under the Security Document shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in New York Clearing House funds or as otherwise provided in the Lease Assignment and the Consent, by 11:00 a.m., local time, on the date when and in the city where such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall commence upon delivery thereof to Lessor under the Security Document and redelivery to the Lessee hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on September 15, 1986. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 11, 14 and 16 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Assignee under the Security Document. If an event of default should occur under the Security Document, the Assignee may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will cause at its expense each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c", or other appropriate words designated by the Assignee, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's ownership

and Assignee's security title to and interest in such Unit and the rights of the Lessor under this Lease and of the rights of the Assignee under the Security Document. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Assignee and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the Security Document shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Assignee and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

Except as provided in the preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal, or foreign taxes (other than any United States Federal income tax payable by the Lessor in consequence of the receipt of payments provided for herein and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax, and other than the aggregate of all state or local taxes measured by net income based on such receipts, value added taxes in lieu of such net income taxes and any state franchise tax which is not based on or measured by net income up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, ad valorem property taxes, taxes and charges (federal, state and local), fines or penalties and interest (all such expenses, taxes, license fees, ad valorem property taxes, taxes and charges (federal, state and local), fines and penalties being hereinafter called Imposi-

tions) hereafter levied or imposed upon or in connection with or measured with respect to this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Security Document, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Impositions of any kind so long as such Imposition remains unpaid and Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such Impositions, or the Lessor is required to contest such Impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Assignee under the Security Document. The Lessee agrees to give the Lessor notice of such contest brought in Lessee's name within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall pay the Lessor on presentation of an invoice therefor if the Lessor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Lessor) or the Lessee shall have approved the payment thereof, and the Lessor agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such Imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Assignee or otherwise pursuant to any correlative provision of the Security Document not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however,

that the Lessor shall have contested (if required to do so under this § 6) such Impositions in good faith and to the extent permitted under the Security Document.

In the event any returns, statements or reports with respect to Impositions involving any Unit are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Assignee in such Units, as shall be satisfactory to the Lessor and the Assignee or, where not so permitted, will notify the Lessor and the Assignee of such requirement and will prepare and deliver such returns, statements or reports to the Lessor and the Assignee within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Assignee.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

In the event the Lessee may be prohibited by law or is impaired from contesting in its own name any Imposition covered by this § 6 in respect of which the Lessee would otherwise be required to make payments to the Lessor pursuant hereto, the Lessor shall, upon request and at the expense of the Lessee, take all legal and other appropriate action reasonably requested by the Lessee to contest such Imposition. The Lessor shall not be obligated to take any such legal or other appropriate action unless the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein. Further, the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action taken by the Lessor or Lessee under this § 6. The Lessee shall be entitled to any refund received by the Lessor or the Lessee in respect of any Imposition paid by the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its

duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the Lessor to the same net after tax rate of return and after tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the Lessor would have been in had such imposition not been imposed.

§ 7. Maintenance; Casualty Occurrences; Insurance.
The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition, reasonable wear and tear excepted.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or requisitioned for use or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a stated period not in excess of the then remaining term of this Lease (such occurrences being hereinafter called Casualty Occurrences), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall within thirty days of each such Casualty Occurrence fully inform the Lessor and the Assignee with respect thereto. On the rental payment date occurring 30 days after it has knowledge of such Casualty Occurrence, the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit determined as of the date of such rental payment date in accordance with the schedule referred to below. As of the rental payment date on which the Casualty Value is due and paid, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit and the Lessee shall pay all costs of removal of such Unit to the place designated pursuant to § 14 hereof. Any Casualty Value not paid when due shall

accrue interest as provided in § 16 hereof. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is with all faults" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be the greater of (i) the fair market value of such Units or (ii) that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite the rental payment date next succeeding the actual date of such Casualty Occurrence, or if there is no such rental payment date, the last rental payment date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit, and the Lessee shall be entitled to the net proceeds of any sale to the extent they do not exceed the Casualty Value of such Unit.

In the event of the requisition for use by the United States Government (hereinafter called the Government) of any Unit during the term of this Lease or any renewal thereof not constituting a Casualty Occurrence all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for

the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained property insurance in respect of the Units at the time subject hereto, and public liability insurance, in amounts and against risks comparable to those insured against by the Lessee on similar equipment owned by it; provided, however, that the Lessee may self-insure any Unit only to the same extent it self-insures with respect to all similar Units owned by it. The Lessee shall not cancel or terminate any policies of public liability insurance unless, prior thereto, it shall give the Lessor 30 days' prior written notice describing such proposed cancelation or termination. All insurance proceeds received by the Lessor from the Lessee's insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired, but only to the extent of the Lessee's cost (including overhead and profit if applicable in effecting such repairs). Except as aforesaid, all such insurance proceeds shall be retained by the Lessor.

§ 8. Reports. On or before March 31 in each year, commencing with the calendar year 1979, the Lessee will furnish to the Lessor and the Assignee an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the Security Document, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Lease in the case of the first such statement) or are then undergoing repairs (other than

running repairs) or then withdrawn from use pending such repairs (other than running repairs) and setting forth the general condition of all of the Units and such other information regarding the condition and state of repair of the Units as the Lessor or the Assignee may reasonably request, and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Security Document have been preserved or replaced. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and discuss the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Assignee, to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of the Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense and the Lessor will have title thereto. Notwithstanding the preceding sentence, the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Lessor or the Assignee, adversely affect the property or rights of the Lessor or the Assignee under this Lease or under the Security Document. Except as set forth in the first paragraph of § 7 and the second paragraph of § 9 hereof, the Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to the Units during the term of this Lease as are readily removable without causing material damage to the Units (and do not adversely and materially affect the value of the Units).

The additions, modifications and improvements made by the Lessee under the first sentence of the preceding paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the last sentence of the preceding paragraph shall be owned by the Lessee. Upon or prior to the return of any Unit by the Lessee to the Lessor pursuant to Section 11 or 14 hereof, the Lessee agrees that it will, at its expense, remove any additions, modifications and improvements made by the Lessee pursuant to the last sentence of the preceding paragraph without causing material damage to such Unit. In the event the Lessee shall make any alteration, replacement, addition or modification to any Unit pursuant to the first sentence of the preceding paragraph (the "Alterations"), the Lessor agrees that it will include the cost thereof in its gross income for Federal income tax purposes. The Lessee agrees that, within 30 days after the close of any calendar year (or

in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Alterations, the Lessee will give written notice thereof to the Lessor describing, in reasonable detail, the Alterations and specifying the cost thereof with respect to each Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Assignee from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the Security Document, the Participation Agreement or this Lease, the ownership of any Unit, the retention by the Assignee of title in any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, inspection or return of any Unit or any accident in connection with the operation, use, condition, possession, storage, inspection or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease, or the transfer of title in the Units by the Assignee pursuant to any provision of the Security Document. The indemnities arising under this paragraph do not include the payment of principal or interest on the Conditional Sale Indebtedness (as defined in the Security Document) and shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the expiration or termination of the term of this Lease.

The Lessee shall not be released from its obligations hereunder in the event of any damage to or the destruction or loss of any or all of the Units.

The Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the title of the Assignee in the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in payment of rent or any other amount provided for in §§ 3, 7 or 13 hereof, and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee, contained herein, in the Consent or in the Participation Agreement, and such default shall continue for 30 days after written notice from the Lessor or the Assignee to the Lessee, specifying the default and demanding that the same be remedied;

D. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee, under this Lease or under the Consent shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

E. any other proceedings shall be commenced by or against the Lessee, for any relief which includes, or might result in, any modification of the obligations of the Lessee, hereunder or under the Consent, under any bankruptcy or insolvency laws, or laws relating to the

relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee, hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease or under the Consent shall not have been and shall not continue to be duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units so terminated shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units so terminated may be and take possession of all or any of such Units and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such

termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts which the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, which represents (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus (B) any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of rental, plus (C) an amount computed in accordance with the Indemnity Agreement dated as of July 15, 1978, between the parties hereto; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the net proceeds of the sale of the Units if sold, or, if not sold at such time, the amount the Lessor reasonably estimates to be the sales value of such Unit at such time.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall

be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset and/or recoupment against the rental payments due hereunder and will make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

Except as otherwise provided in this Lease and the Security Document, the Lessee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Units, or any one or more thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Lessor's rights under this Lease and the Security Document and any and all rights of the redemption.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or reoccurrence of any such contingencies or similar contingencies.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including but not by way of limitation, giving prompt telegraphic and written notice to all railroads which may have possession of any Unit or Units to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All gross amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter all gross amounts earned with respect to such Unit and received by the Lessor for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written

notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9, 10 and 11 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns (including the Assignee).

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Document, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and the Security Document, but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them, and any such assignment or transfer shall be void. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Assignee or resulting from claims against the Lessor or the Assignee not related to the ownership of the Units) upon or with respect to any Unit, including any accession thereto, or the interest of the Lessor, the Assignee or the Lessee therein, and will promptly discharge any such lien, claim, security interest or encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next paragraph.

So long as the Lessee shall not be in default under this Lease and no event of default shall exist under the Security Document, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee represents and warrants to the Lessor that the Units will be used, and are intended for use, in connection with interstate commerce.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly and unconditionally assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent) into or with which it shall have become merged or consolidated or which shall have acquired its property as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and the Lessor has received prior written notice of the proposed merger, consolidation or acquisition.

§ 13. Renewals. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than six months prior to the end of the original term or any extended term of this Lease, as the case may be, elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for two additional one-year periods commencing on the scheduled expiration of the original term or any extended term of this Lease, as the case may be, provided that no such extended term extends beyond September 15, 1988, at the then "Fair Rental Value" payable in semiannual payments on March 15 and September 15 in each year of such extended term.

Fair Rental Value shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental. If, after 30 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Units, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed

within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Rental Value of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Rental Value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Rental Value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Rental Value and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

The Lessor agrees that (provided no default hereunder shall have occurred and be continuing) it will not sell the Units, or any of them, unless the Lessor shall have given the Lessee at least 30 business days' prior written notice of such intended sale, specifying the sale price and terms of such sale. The Lessee shall have during said 30 days the opportunity to purchase such Unit or Units at the same price and on the same terms as specified in such notice; provided, however, that in no event shall the sales price of such Unit or Units be less than fair market value at the time of sale. Notwithstanding anything else to the contrary, the foregoing right of the Lessee shall expire 180 days after the termination of this Lease and any renewal thereof.

§ 14. Return of Units upon Expiration of Term.
As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any

Unit not purchased by the Lessee, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee or any of its affiliates as the Lessor may designate, or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit on such tracks for a period not exceeding three months after the actual return of any Unit to the Lessor's possession and transport the same, at any time within such three month period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All gross amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 30 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter the actual earnings received by the Lessor on such Unit for each such day.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the Lease Assignment, the Security Document and the Assignment to be filed and recorded with

the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee will (at its own expense) undertake the filing, registering, deposit, and recording required of the Lessor under the Security Document and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Assignee for the purpose of proper protection, to their satisfaction, of the Assignee's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the Security Document, the Assignment and the Lease Assignment; and the Lessee will promptly furnish to the Assignee and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion of counsel for the Lessee with respect thereto satisfactory to the Assignee and the Lessor. This Lease and the Security Document shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder, including without limitation §§ 3, 6, 7, 9 and 10 hereof, shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to 10-1/2% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at 416 W. Jefferson Street, Louisville, Kentucky 40202, if by hand, and at P. O. Box 32500, Louisville, Kentucky 40232, if by mail, Attention of J. E. Vittitow, Vice President;

(b) if to the Lessee, at 908 West Broadway, Louisville, Kentucky 40201;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Assignee pursuant to the Lease Assignment shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the Commonwealth of Kentucky; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

§ 21. Lessor's Right to Perform for the Lessee. If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable cost and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the rate of 9-1/2% per annum, payable by the Lessee upon demand.

§ 22. Immunities, Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorpo-

rator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

LOUISVILLE AND NASHVILLE RAILROAD
COMPANY,

by

[Corporate Seal]

Attest:

THE LIBERTY NATIONAL LEASING
COMPANY,

by

Vice President

[Seal]

Attest:

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of THE LIBERTY NATIONAL LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
		L&N
70-Ton Open-Top Hopper Cars	747 <i>only</i>	154701-154708, 154710 154715-154717 154719-154727 154729-154731, 154733 154735, 154737, 154739, 154740, 154742, 154745-154748, 154750-154755, 154757, 154758, 154763-154765 154768, 154770, 154772, 154774, 154775, 154777-154779, 154782, 154783, 154785-154792, <i>only</i> 154797-154799, 154801-154808, 154811-154814, 154816, 154818, 154820, 154821, 154823-154826, 154828-154832, 154834-154838, 154840, 154843-154846, 154849-154856, 154858, 154860, 154862-154865, 154868-154876, 154878, 154881, 154883-154885, 154887-154890, 154892, 154894-154897, 154899-154901, 154904, 154905, 154910-154914 154918-154923, 154925-154931, 154933-154936, 154939, 154941-154944, 154947,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
70-Ton Open-Top Hopper Cars (Cont'd.)	747 <i>Amey</i>	L&N 154949, 154950, 154953, 154954, 154956-154958, 154960, 154962-154967, 154970, 154971, 154974, 154975, 154977-154983, 154985-154992, 154994, 154996-154998, 155000, 155001, 155004, 155005, 155008, 155010, 155011, 155014, 155016-155029, 155034, 155036-155047, 155049-155056, 155058-155063, 155065-155070, 155072-155074, 155076-155078, 155081-155085, 155087, 155091-155100 155102, 155104, 155106-155108, 155111-155113, 155116, 155118-155119, 155121, 155122, 155124, 155125, 155129-155131, 155134-155136, 155138, 155140-155146, 155148-155150, 155152-155159, 155161, 155162, 155164-155177, 155180-155182, 155184, 155185, 155188-155200, 155202-155204, 155206, 155208-155210, 155212, 155216-155218, 155220-155224, 155226, 155227, 155229-155242, 155244, 155245, 155248, 155250, 155252-155262,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's <u>Road Numbers</u> <u>(Inclusive)</u>
70-Ton Open-Top Hopper Cars (Cont'd.)	747 <i>only</i>	L&N 155265, 155267, 155269, 155271-155273, 155275-155277, 155280-155285, 155287, 155289-155291, 155294-155295, 155298, 155302-155309, 155312 155314-155318, 155322 155323, 155325-155329, 155331, 155333-155335, 155337-155339, 155341, 155343, 155345, 155347, 155348, 155350, 155353, 155354, 155356-155359, 155361, 155364, 155368, 155370-155372, 155375, 155377, 155379, 155381-155384, 155386-155388, 155390, 155392-155398, 155400, 155401, 155406-155410, 155413-155415, 155417, 155419, 155421-155426, 155429, 155430, 155432-155435, 155437, 155438, 155440-155442, 155444, 155446, 155449-155451, 155453-155458, 155460 155461, 155463, 155464, 155466-155475, 155477, 155480, 155483-155496, 155499, 155504-155512, 155514-155517, 155519, 155521-155525, 155527-155530, 155533, 155534, 155536-155539, 155543, 155544, 155546-155551,

SCHEDULE A TO LEASE

<u>Type</u>	<u>Quantity</u>	Lessee's Road Numbers (Inclusive)
		L&N
70-Ton Open-Top Hopper Cars (Cont'd.)	747 <i>amy</i>	155553-155557, 155559-155561, 155564, 155565, 155567-155569, 155571-155580, 155582-155589, 155591-155593, 155595, 155597-155599, 155611-155617, 155620-155624, 155626-155631, 155633-155639, 155642-155646, 155648, 155650-155657, 155661-155662, 155664-155665, 155667-155674, 155676-155677, 155679-155681, 155683, 155685-155687, 155689-155694, 155696-155700, 155704-155707, 155710-155711, 155713-155715, 155717-155718, 155720-155721, 155723-155730, 155732-155734, 155736-155737, 155739-155748, 155750, 155752

SCHEDULE B TO LEASE

Casualty Values

<u>Date</u>	<u>Percentage of Purchase Price*</u>
March 15, 1979	99.1029%
September 15, 1979	95.9480
March 15, 1980	92.4864
September 15, 1980	88.7530
March 15, 1981	84.7459
September 15, 1981	80.4885
March 15, 1982	75.9832
September 15, 1982	71.2436
March 15, 1983	66.2763
September 15, 1983	61.0808
March 15, 1984	55.6605
September 15, 1984	50.0057
March 15, 1985	44.1172
September 15, 1985	37.9829
March 15, 1986	31.6058
September 15, 1986, and thereafter	25.0000

* As defined in the Security Document.

ANNEX C
to Conditional
Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of July 15, 1978, by and between THE LIBERTY NATIONAL LEASING COMPANY, a Kentucky corporation (hereinafter called the Lessor or the Vendee), and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Trustee of a Commingled Pension Trust and as Agent for Various Institutional Investors (hereinafter called the Assignee).

WHEREAS the Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (hereinafter called the Security Document) with The Louisville and Nashville Railroad Company (hereinafter called the Vendor or Lessee), providing for the sale to the Vendee of such units of railroad equipment (hereinafter called the Units) described in the Annexes thereto delivered to and accepted by the Vendee thereunder;

WHEREAS the Lessor and the Lessee have entered into a Lease of Railroad Equipment dated as of the date hereof (hereinafter called the Lease), providing for the leasing by the Lessor to the Lessee of the Units; and

WHEREAS in order to provide security for the obligations of the Lessor under the Security Document and as an inducement to the Assignee to invest in the Conditional Sale Indebtedness (as that term is defined in the Security Document), the Lessor has agreed to assign for security purposes its rights in, to and under the Lease to the Vendor;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Assignee, as collateral security for the payment and performance of the obligations of the Vendee under the Security Document, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, liquidated damages, or otherwise

(such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Assignee in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof. Notwithstanding the foregoing, the Payments shall not be deemed to include, either before or after an Event of Default shall have occurred and be continuing under the Lease, payments to be made by the Lessee or the Vendee pursuant to §§ 6 and 9 of the Lease (except indemnification payments owing to the Assignee pursuant thereto or pursuant to Articles 6 and 13 of the Security Document and except to the extent that the Lessor is in default under Paragraph 6 of this Assignment); provided, however, that the Vendee shall have no right to exercise any of the remedies under the Lease (other than § 10(a) thereof) to enforce payment of such excluded amounts and further, provided, after an Event of Default shall have occurred and while it shall be continuing, no payments otherwise excluded from this Assignment pursuant to this sentence may be made to or retained by the Vendee out of the proceeds of the sale or other disposition of the Units unless and until full payment of principal of and interest on the Conditional Sale Indebtedness shall have been made.

The Assignee agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease, subject to the provisions of the Lessee's Consent and Agreement attached hereto (hereinafter called the Consent) permitting certain payments to be made directly to the Vendee. To the extent received, the Assignee will apply such Payments to satisfy the obligations of the Lessor under the Security Document then due and payable, and, so long as no event of default or event which with the lapse of time and/or demand provided for in the Security Document could constitute an event of default thereunder, shall have occurred and be continuing, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor (or to such other party as may be specified by

the Lessor), by bank wire to the Lessor at such address as may be specified to the Assignee in writing, and such balance shall be retained by the Lessor. If the Assignee shall not receive any rental payment under § 3 of the Lease payable to it as provided in the Consent when due, the Assignee shall notify the Lessor at the address set forth in the Lease; provided, however, that the failure of the Assignee to so notify the Lessor shall not affect the obligations of the Lessor hereunder or under the Security Document. The Lessor will furnish to the Assignee and the Lessee a schedule, with such changes as may be appropriate from time to time, setting forth the amounts due the Vendor under the Security Document and the Lessor under the Lease on each date for the payment thereof.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Assignee to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Assignee.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Lessor; without the written consent of the Assignee, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Assignee the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the

terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Assignee may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the Security Document, this Assignment and all rights herein assigned to the Assignee shall terminate, and all estate, right, title and interest of the Assignee in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all claims, liens, charges or security interests (other than any created by the Security Document in favor of the Assignee) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor or its successors and assigns (other than the Assignee), not arising out of the transactions contemplated by the Security Document or the Lease (but including tax liens arising out of the receipt of the income and proceeds from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments equal or superior to the Assignee's interest therein, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Assignee, adversely affect such interests of the Assignee.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Assignee in order to confirm or further assure, the interest of the Assignee hereunder.

8. The Assignee may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due, but the Lessee shall be under no obligation to any subsequent or successive assignee except upon written notice of such assignment from the Assignee. In the event of any such assignment and notice, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Assignee hereunder.

9. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

10. The Lessor shall cause copies of all notices received in connection with the Lease to be promptly delivered to the Assignee at P.O. Box 1389, Church Street Station, New York, New York 10008, Attention of Trust and Investment Division, or at such other address as the Assignee shall specify in writing. All payments to be made hereunder shall be paid as specified by the Investor in writing.

11. The Assignee hereby agrees with the Lessor that the Assignee will not, unless an Event of Default under the Security Document (as defined therein) has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Assignee by this Assignment, except the right to apply the Payments as provided in Paragraph 1 hereof.

12. Notwithstanding any other provision of this Assignment (including, but not limited to, any provision of the first paragraph of Paragraph 1 and Paragraph 3 hereof), the terms of this Assignment shall not limit or in any way affect the Lessor's right to receive and collect any Payments under the Lease in excess of the obligations of the Lessor under the Security Document as long as there is no event of default under the Security Document; provided, however, that the Lessor shall not take any action under Section 10 of the Lease without the written consent of the Assignee.

13. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Assignee shall be deemed to be the original and all other counterparts shall be deemed to be duplicates thereof. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective names by officers thereunto duly authorized, and their respective

seals to be affixed and duly attested, all as of the date first above written.

THE LIBERTY NATIONAL LEASING
COMPANY,

by

Vice President

[Corporate Seal]

Attest:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee of a
Commingled Pension Trust and
as Agent for Various Institu-
tional Investors,

by

Vice President

[Corporate Seal]

Attest:

STATE OF NEW YORK,)
) SS.:
COUNTY OF NEW YORK,)

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of THE LIBERTY NATIONAL LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

CONSENT AND AGREEMENT

The undersigned, LOUISVILLE AND NASHVILLE RAILROAD COMPANY, a Kentucky corporation (hereinafter called the Lessee), the lessee named in the Lease (hereinafter called the Lease) referred to in the foregoing Assignment of Lease and Agreement (hereinafter called the Lease Assignment), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty payments, liquidated damages and other moneys (other than the payments excluded from the Lease Assignment pursuant to Paragraph 1 thereof) provided for in the Lease (which moneys are hereinafter called the Payments) due and to become due under the Lease or otherwise in respect of the Units leased thereunder, directly to Morgan Guaranty Trust Company of New York, as Trustee of a Commingled Pension Trust and as Agent for Various Institutional Investors (hereinafter called the Assignee), the assignee named in the Assignment, at such address as may be furnished in writing to the undersigned by the Assignee;

(2) the Assignee shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Assignee were named therein as the Lessor;

(3) the Assignee shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Assignee, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the

Assignee by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of New York and, for all purposes, shall be construed in accordance with the laws of said State.

LOUISVILLE AND NASHVILLE
RAILROAD COMPANY,

by

Vice President

[Corporate Seal]

Attest:

The foregoing Consent and Agreement is hereby
accepted as of the 15th day of July 1978.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee of a
Commingled Pension Trust and
as Agent for Various Institu-
tional Investors,

by

Vice President

[Corporate Seal]

Attest:

COMMONWEALTH OF KENTUCKY,)
) ss.:
COUNTY OF JEFFERSON,)

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of LOUISVILLE AND NASHVILLE RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

[illegible]

On this day of August 1978, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]